
Request No. DOER-1-9:
Please provide all analyses underlying the determination, as set forth at page 8, lines 3 - 6 of the testimony, that TransCanada Pipeline has "forced suppliers to absorb greater costs to deliver gas supplies from western Canada into eastern Canada and ultimately the northeastern United States "

Response:
Decontracting risk is an issue that has been ongoing in Canada with the TransCanda Pipeline (TCP) for several years. The crux of the issue is from whom does TCP recoup its costs. If TCP is allowed to take minimal risk by their regulators they collect most of their costs from firm ratepayers. The cost of new projects and the impact of firm ratepayers leaving the system cause increased prices for the remaining firm customers. If there is a mix of cost allocation to firm customers and non-firm customers, TCP is exposed to the risk of covering part of its costs by providing services to non firm customers. TCP has been successfully arguing before its regulatory commission that it should be allowed to recoup most of its costs from firm ratepayers. This makes it increasingly expensive for suppliers to sell their natural gas at points like Niagara on a firm basis.

As evidence of this FG& E has seen from our Boundary invoices that the Demand Charges for Deliveries to Niagara increased from $27.5131 in December 2000 to $29.1909 in October of 2001. See **Attachment DOER 1 – 6.**

Other information, which affected our decision about this issue, was that the current Boundary suppliers were seeking to renegotiate the current contract to obtain higher rates. Although this is understandable, it made us question what premiums would be required in the future for supplies at Niagara.

At the same time we were hearing that suppliers in the Maritimes were anxious to sell their production into the Northeast.

As we collected and discussed details about these issues we formed the opinion that in the future supply prices at Niagara could be less favorable than supply prices at Dracut. Since one of our goals for contracting for capacity includes the overall cost of the resulting supply to our system, we made the determination at that time that obtaining capacity to the developing supply from the Maritimes would be a good choice for our customers

Person Responsible: David B. Doskocil